

**SECRET**

25X1

DCI Worldwide Briefing  
The Israeli-Palestinian Problem

Israel's military action in Lebanon has greatly enhanced its security, forcing PLO fighters out of southern Lebanon and Beirut and demonstrating the Israelis' clear military superiority over Syria. It has also--temporarily at least--strengthened the hand of those in the PLO who favor a negotiated settlement. But serious obstacles must be overcome if these changes are to be translated into a settlement of the Palestinian problem.

- The Begin government shows no sign of wavering in its determination to exercise permanent control over the occupied territories.
- PLO moderates led by Yasir Arafat are proceeding with great caution, fearing a split in the organization if they make concessions that do not pay off in concrete gains.

[REDACTED]

25X1

[REDACTED]

25X1

The Begin government probably believes that time is on its side--that by holding rigidly to its current positions it can deflect the Reagan initiative while pursuing policies that move West Bank and Gaza closer to de facto annexation.

The PLO's Yasir Arafat has managed to stave off attempts by radicals to take a stand against the Reagan initiative, but the continued postponement of a meeting of the Palestine National Council--the PLO "parliament"--suggests he is uncertain about the depth of support for his diplomatic strategy.

25X1

-1-  
**SECRET**

**SECRET**

25X1

- Arafat wants to maintain maximum flexibility regarding the US initiative while exploring the options open to him.
- His attempt to broaden PLO-Jordanian cooperation is the key element in this strategy.

Arafat is unwilling to give Hussein a mandate to negotiate on behalf of the PLO, but he and Hussein apparently are considering the inclusion of PLO-approved Palestinian leaders from the West Bank on a Jordanian delegation as a means of ensuring tacit PLO participation in any Middle East negotiations.

- Arafat and Hussein have meanwhile formed a committee to work out a common approach to the peace process and consider arrangements for forming a Palestinian-Jordanian confederation. Even PLO moderates, however, insist that a Palestinian state must be created before a confederal agreement takes effect.

Arafat hopes his cooperation with Hussein and his willingness to consider confederation will convince the US he is sincere about wanting a peaceful resolution of the Palestinian issue and encourage at least incremental moves toward a PLO-US dialogue.

- The PLO chairman still refuses to meet the US requirement that the PLO recognize Israel, fearing this would split the organization without commensurate gains in terms of Israeli concessions or US pressure on Israel to be more conciliatory.